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Wilson, Walter H.

The income tax

[Springfield, Ill.]

[1922]

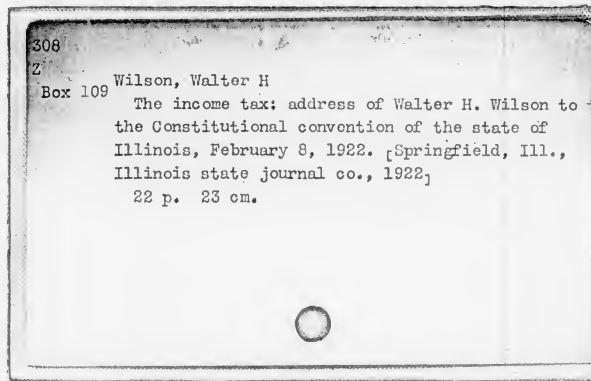
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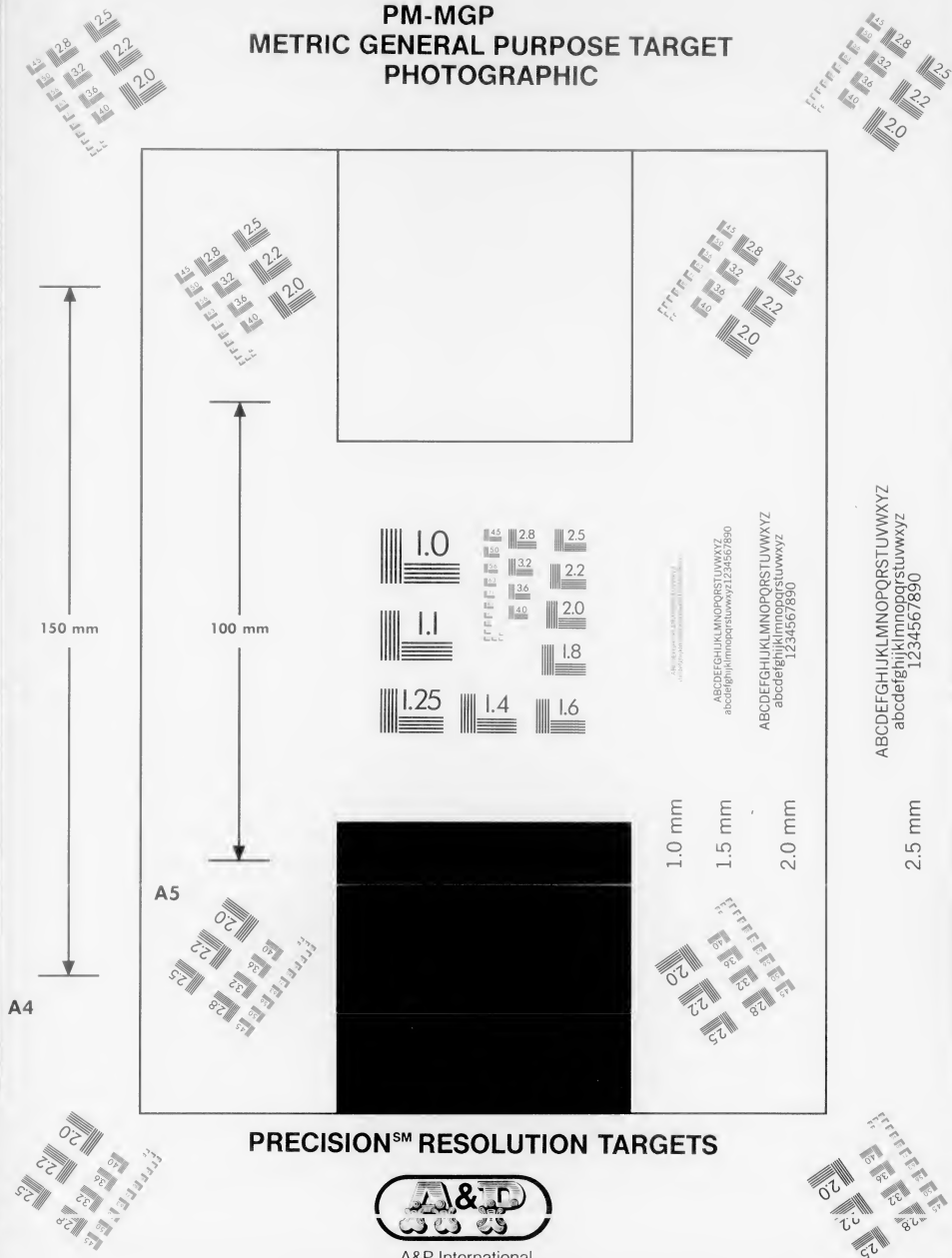
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THE INCOME TAX

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Address of

Walter H. Wilson

To the

Constitutional Convention of the State of
Illinois

February 8, 1922

[Printed by authority of the State of Illinois.]

JUL 10 1922

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SPRINGFIELD, ILLINOIS
1922

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Mr. WILSON (Cook). Mr. President, I have an amendment here, but I shall not offer it now. The amendment provides, in a word, for an income tax without any discrimination, without any exemptions, and without graduation or progression. Of course, my reasons for this are that I anticipate that we shall always have an income tax by the federal government, and naturally the states will follow with such a tax.

I came down here two years ago with the conviction that a graduated and progressive income tax, as exemplified by the federal government, is radically wrong.

As we all know, the Constitution of the United States was enacted in 1787. Here is a quotation from the Article on Taxation:

"The Congress shall have the power to levy and collect taxes, duties, imposts and excises," * * * "but all duties, imposts and excises shall be uniform throughout the United States."

No mention is made of real estate or personal property, but history shows us that the taxation of real estate has always been uniform, and the question is—how do we arrive at the value of real estate for taxation? That is, what is it worth? The answer is—it is worth in proportion to what it will produce. If improved real estate in a city and rented, it is worth, say, 14, 16, 18 or 20 times what it will yield in rents or income. If vacant in the same city, it is valued at what it would be worth if improved similarly to the surrounding property. So, likewise, farm lands are valuable in accordance with their productive power, and so has come the established custom of the uniform taxation of real estate.

In 1787 there was little, if any, personal property such as we have today. There was little, if any, farming machinery, while the tools were such that permitted the farm labor to be done only by the hard and constant work of hand. If the growth and importance of personal property could have been foreseen, no doubt the dictum of the uniform taxation of such would have been introduced. As we know, there were no railroads, no steamboats, and no communication of any kind except by sail on the water and by horse over land, but today we sit in this Convention one hundred and thirty-five years after our Constitution was established, and we have seen personal property represented by securities involving enterprises of every conceivable nature reach values far beyond conception of even fifty years ago. So rapid has been our growth and so prosperous our endeavors that eighty millions of people have been added to our population within the lifetime of some members of this Convention. Since 1880 we have added sixty millions to our population. Probably our greatest prosperity has come throughout the last forty years. The growth of personal property has added difficulties to the taxation problem. We are disturbed about tangible and intangible property, and in this state our method of such taxation has been a merry-go-round of absurdity. If the assessor in his rounds could touch a horse or a cow, a mowing machine, a sewing machine or a piano, he would tax them and then guess at the untouchable stuff, and this has led in some instances to taxing dead things year after year.

In the course of time our Congress, wishing to raise more revenue, evolved the income tax, and during the great war that tax was made graduated and progressive, but the war brought to us a great emergency, and no one is disposed to criticize methods of raising money necessary to win the war, but in times of peace there remains the disposition to continue that method of taxation, which is destined to ruin the prosperity of our country as we used to enjoy it. When this Convention assembled, I came

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here with the idea that the income tax was sure to stay, and that therefore such a tax should be uniform and without any exemptions whatever. Every study I have made and everything I have done to investigate the results of the graduated and progressive income tax has confirmed that view, although I have tried my best to consider arguments upon the other side.

Believe the graduated and progressive income tax is the worst tax that could possibly be devised in an enlightened, civilized and growing country; but, as exemplified in our Federal Government, it was largely a means to an end, whereas a uniform tax upon all incomes, without exemptions, is the best tax that could be devised, as it would readily take the place of taxation of tangible and intangible personal property.

I should now like to read to you from an article which I prepared in June, 1920:

"The graduated and progressive income tax was a drastic measure, justified to conduct the war. To continue such an income tax in times of peace will also be the means to an end, for it is likely to end the prosperity of this country as heretofore enjoyed. The graduated income tax is not a property tax. It is a socialistic tax. It is a tax upon the so-called ability to pay and it is therefore a tax upon ambition, incentive and devotion to duty. It is a tax upon good citizenship. It is a tax upon the many attributes of high character. Such a tax is not uniform and so, as a matter of principle, it is wrong. If a graduated tax upon income from personal property can possibly be justified, then the same lack of uniformity may be applied to the taxation of real estate because all have not the equal ability to pay.

"If an income tax is to be levied there should be no exemptions except in the case of those classes as paupers and dependents. And they are not very numerous. The public records of Illinois show that only one in every 5,000 is in the prisons, in the hospitals, insane asylums and other asylums, so they don't amount to much. "A dollar is worth as much in one place as in another, no more and no less. A uniform income tax, without exemptions, is a very low rate and means a very small tax upon everyone, which, in the end, would bring a very large sum. Such a tax should be in lieu of taxation upon tangible and intangible personal property. Classification of personal property would then be unnecessary and inadvisable.

"It is unjustifiable to levy a tax on personal income and then in turn to tax the personal property which yields the income. If a uniform income tax evaluates a man's stock in trade should not be taxed, nor should the farmer's mowing machines, hay racks and other tools used in his industry. It has been an argument of some that the wage earner should be entitled to certain privileges in levying income tax, but let us see:

"We say to the wage earner in such case: Your money is not good, you are not classified as the best kind of citizen, and therefore we don't want your money. It is not as good as ours, you do not belong to the class which supports our government. It is true you have free schools, free books, free libraries, free parks, free boulevards, and nearly everything else free in this great country, and it is also true that in time of war we draft you to fight for us; but in a measure you are an outcast because you cannot qualify into the first class of citizenship, viz: that of a supporter of your government which gives you all of these privileges. I believe that such a position is an insult to the laboring man, because it is an injustice to his manhood; but we go even farther than that, for in effect we say to the wage earner:

"We shall allow only a few to pay income taxes and when such taxes grow to be a burden, we shall lay you off from our mills and our factories and shut down our times are better.

"Such a situation is before us now and is sure to be intensified. It will be intensified because surplus incomes have been largely exhausted, having gone to pay income taxes of the Federal government to the enormous amount during the years 1919 and 1920 of \$10,000,000,000.

"This country has grown great and powerful because of investments from surplus incomes. Such investments as we all know have gone into enter-

prises of every conceivable nature for the upbuilding of every portion of our country. But now we find surplus incomes to be almost nil and prosperity as formerly existing in our great country must halt to await the recuperation of surplus accounts, from whence must come the only hope for the extension and expansion of trade, to say nothing of its maintenance."

If that forecast and prediction was timely in June, 1920, how dreadfully true it has since become.

In 1920, when we were getting pretty fast, I dictated what I have just read to you, and I dictated something else which I shall repeat now:

"What is this government of ours? Is it a government of the people or a government of a class? If a government of the classes, how long will it last? Look across the Atlantic for the answer. This government is based upon the principle that all men are created equal and free. Shall we, by legislation, deprive men of their equality by denying them the privilege of helping to sustain their own government? Not our government, but their government."

"What is self-government? It is self-support and self-support is manhood intensified and glorified. I do not believe the wage earners of this State, the laboring men and women, want to be set apart as disqualified in doing their share to support their own government. I feel sure if they are made to understand that all will be treated alike in the income tax as in the real estate tax, that the income tax will be uniform and that everyone, everywhere, will be taxed upon the same basis, they will be proud that this Convention has recognized that self-government is self-support and that self-support is the most honorable of all conditions.

"In the case of graduated income tax of the Federal government, who pays? It is the wage earner always in the end. Individuals, corporations, business firms can, as a rule, pay the tax, but in doing so they have been obliged in the past two years to largely diminish their surplus, to sell securities and borrow largely from banks." That was two years ago; it is worse today. "The banks of the country today are carrying large loans of a great many so-called wealthy corporations and individuals who have not heretofore borrowed money for years. When such a condition prevails, what is the result? It is curtailment of enterprise, decline of business, resulting finally in the discharge of labor, and such a condition will not conduce to the continued prosperity of this country. In other words, we cannot build up the so-called poor by tearing down those who are well to do. It has been well said that 'The suspension of one man's dividends means the loss of another man's pay envelope.'

If that was true prophesy in June, 1920, how true it appears today.

"We should keep in mind in passing laws for taxation the great principle of citizenship for all and when we deprive by law a part of our citizens from participating in the support of their government, we take from them one of the greatest privileges of their citizenship. When they are brought to understand all that citizenship implies, I believe they will not only desire, but will be pleased to be placed upon equality with their fellowmen."

Our recent world history shows billions upon billions not only spent in war, but gone for good forever. But after the armistice it is known that the population of nearly every civilized country went into an orgy of extravagant money spending, and our own country was the worst of the lot, for we missed not only an opportunity but also a sacred trust. By that trust I mean this, as I shall enlarge upon later:

Immediately after the armistice this country should have placed itself at once, where it must stand if we here are to again see prosperity as we formerly knew it. We should have placed ourselves at the world's base of credit supply in order that our own foreign trade could be resumed. We knew and we now realize it seriously that Europe's buying power is gone and we begin to see that our surplus incomes, if any, should not have been used in taxation and spending at home, but reserved for future, world-wide credits to provide and sustain our own foreign markets for our surplus exports.

It is not too late now; but we seem to have no financial leaders in our National Congress. It will be too late, however, if our surplus incomes are

to be so taxed that they will be diverted into payments for extravagant government, tax-exempt securities, high rate individual foreign government loans, instead of going where they once went into sustaining our own industries at home and abroad, to provide fair prices for our farmers and steady employment for our laborers.

Now, gentlemen, I am so interested in this subject that I may detain you quite sometime. To a measure I have to apologize. This is my first attempt at making a speech. I hardly know how to go at it. As a matter of fact, I may seem composed, but I am trembling like a leaf, but I am going to stand up here and go to it just as long as I can. (Applause).

I have spoken of the laboring man. I have the greatest respect for the laboring man and for the wage earner. I know what it means to work. Some times I feel as if I would like to put my record up against that of some of the farmers here who have often talked about their work. I have no respect, however, for the labor agitator, the so-called business agent, who for his own personal gain misleads his own people and keeps them out of work while he luxuriates in a large salary.

The world has not changed in some respects. I have a memorandum here to tell you some personal experiences. We have a delegate here, our Mr. Sneed (Williamson), into whose countenance nobody can look without realizing that character is stamped all over it, and I wish all the people interested in labor were like him.

In 1892 I was interested in a building in Chicago with another man. We had a leasehold, and we wanted to get possession early in 1892 so that we could remodel the building and make it into an office building, adding two stories. Office building space was scarce in Chicago, and we saw an opportunity, but the third and fourth stories of this structure were occupied by laboring people. One was the United Order of Plasterers of America, or some such name; anyhow, they were plasterers, and they had a walking delegate. The fourth floor was occupied by the Knights of Labor, the then name of the labor organization of the country.

After a good many consultations with the walking delegate of the Plasterer's organization, he said to us, "Will you please put your proposition in writing and come down to our meeting?" We said, "yes." So we went down one Saturday night. The President of the plasterers and the Secretary and Treasurer sat upon beautiful gilt, upon cathedral chairs, with a green carpet on a floor that looked like new mown grass. Our proposition, a very generous one, was read by the walking delegate, and suddenly up jumped a little Scotchman—no reflections on our friend here. He seemed to me to be about so high; he had light colored stocky hair. He just gave us everything you can imagine. He talked about the capitalists—taking away the rights of the laboring men, and he went on with that kind of speech for about half an hour, and when he sat down I thought the building would go down with applause; so I turned around to my two friends and said, "We have lost. We can't get possession, but I am going to reply to that man." They said, "don't do that, you might be mobbed." I replied, "I can't help that, we are here for business." So I said, "Mr. President, may I answer the gentleman who just sat down?" He said, "Why, I guess so." I began, "It seems to me, Mr. President, that man talked like a d— fool." I never got any further than that. Caps were thrown in the air; coats were taken off and thrown in the air; handkerchiefs were waved, and I thought the very walls would come down, and I turned around to my friends and said "What's the matter?" They said, "I don't know what." I said, "Well, perhaps I have made a speech; I won't say anything further, except to ask the President to kindly have somebody read our proposition to be carried."

That motion was made and carried without a dissenting vote. Going down the steps, I remarked to the walking delegate, "What does this mean? What took place here?" "Why," he answered, "that fellow is an agitator who has talked here at every meeting, he has baited us up a good many times, but nobody has ever replied to him; you are the only man that ever did reply to him, and you carried the day."

special am going to speak about another matter that is also true, which took place in 1909. As my good friend, Mr. Traeger (Cook) will know; there was organized in Chicago in the Police Department a Policeman's Union. I had forgotten part of that "building" story, and the best part of it. I will go back to it later.

I had a certain policeman got permission to organize a Policeman's Union, and asked for a \$10.00 fee per year. Meanwhile there came into the Mayor's office a number of communications, many of them anonymous, purporting to be from wives or children of policemen who objected to an assessment. The Mayor did what he could to stop it, but finally the man collected a good deal of money. After he got through, he went away with \$10,000, and was caught and convicted. Another case of agitation.

But the funny part of this "building" story is this. The Knights of Labor would not talk with us; they would not do anything. But we had one of the old leases which invited the landlords to come in and take possession in case of non-payment of rent. We had John H. Hamlin as a lawyer. Those of you who remember John know that he was a fighter. He said, "How do those people pay the rent?" I said, "They pay it sometime during the month, if we go after it." He said, "This is the first of November. Have they paid the November rent?" I said "No." "Well," he said, "on the third, Monday, we will have them in the street!"—and he did. La Salle Street at the corner of Lake was full of desks and chairs and hats, caps and belts, regalia of every kind. About ten o'clock that morning Mr. Hamlin called me up and said, "Those fellows are here." "What fellows?" He said, "The Knights of Labor." "What do they want?" He said, "Three thousand dollars." I replied, "Never." He said, "Do you want to see them?" "No," I said, "I don't want to see them, but you had better bring them over." Mr. Hamlin finally settled with them for \$300.00, and I asked to whom I should pay the money. "The President said, 'Our treasurer, this gentleman here,'" so I wrote a check, made out to the treasurer for \$300.00. He took the next train for Buffalo, and has never been seen since.

I have told you something about the laboring leaders, but I have another memorandum here. I have great faith in the laboring men, and I want to tell you of an experience I had during the war. Mr. Wetmore was at the head of an excellent Liberty Loan Committee, and he suggested during one of the drives for bonds that we see how the money was coming in among the foreign people on the West Side—we spent some evenings at this. It was in November; it was cold—and in both after both we met good women who could speak our language, and perhaps three or four foreign languages, spending their time every evening talking to citizens of this country who could not speak English. I saw no less than twenty or thirty men who could not talk English dig money out of their pockets to buy Liberty Bonds. I do not believe that we could have sold our Liberty Bonds if they had not been generous souls and the laborers and wage-earners had not taken so large a part.

Shortly after the armistice a New York banker visited Chicago, and came, as he said, with the approval of the New York bankers, and, of course, his statement was true, because he was from a well-known banking concern, to make suggestions to plan immediately for the preservation of the world's commerce, our own particularly. He had spent two years abroad during the war, and he knew something of the conditions. He suggested that this government, and our people, as parties to the government, get down to a basic plan of providing world credits, so that we ourselves, for our own good, could go on with our foreign commerce. Briefly, the proposition was about as follows:

For example he took Poland, because Poland happens to have some good cotton factories. He said, "Supposing Poland," which, of course, we know has been at war since, and is very much worse off now than it was at that time perhaps. "Supposing Poland wanted a hundred million dollars to let the cotton factories over there give their credits for it. Let the Polish government stand back of those credits, and then let the United States, as it

should, stand back of the Polish government. Let the United States issue bonds for that credit of a hundred million dollars, and let the government sell those bonds to our people because they would be glad to get them, and those bonds would be good. Investors, people with surplus incomes, would have to buy those bonds."

Nothing was done about that. Everybody was glad and relieved that we were through with the war—so we went on as before. Meanwhile, what has taken place? This banker from New York said that it would be a mistake for private bankers, in his opinion, and I think he was right, to make individual loans to foreign governments; that we would not get anywhere in the general scheme for the restoration of business and that the rates of interest would be high and would reflect upon us. Since that time we have made loans to Brazil, Argentina, Switzerland and other countries, at eight per cent and a commission, the commission generally five per cent. Those countries cannot stand it and it will reflect upon us. High interest rates in the scheme of trade relationship are sure to come back upon us. That is why I wish we had financial leaders in Congress.

We hear the statement made since our Federal income tax that the rich are growing poorer and the poorer are growing richer. There never was a theory quite so false. It is just the other way, because the so-called rich are not now investing what remains to them after the income tax in new enterprises. They take no interest in any prospect involving new speculative industries. It is not only difficult enough to find money to keep the old ones going, but the ambition and inducement to enter new projects is stilled. Therefore the money is going into interest bearing securities which are quietly put away. There is an old financial adage "nothing will beat six per cent," and that is true, and the residue of heretofore active men is looking for interest and not for business ventures where so much of the profit will be taken for taxation.

I believe no proposition involving \$250,000 to \$1,000,000 for a new enterprise could be raised in Chicago today, and the reason is that men do not want to take the risks and undergo the trouble involved and at the same time be subject to huge taxes—no matter how profitable the new enterprise might be. Why should they? They can invest their money and sit still.

There was a meeting in Washington the other day at which a tax expert—and I won't mention his name, because he has been quoted here in this Convention; not perhaps in open Convention, but by individuals—made the statement that we should stop issuing tax-exempt securities, because the rich were growing idle. Now, I wonder if he knows of any law that will put the so-called rich at work. I wonder if he knows of any law that will compel people to invest in an enterprise if they are not so disposed.

That brings me to the question of tax-exempt securities, and there is a proposition not to amend the Constitution of the United States to prevent the issuance of tax-exempt securities, and it is aimed—we have got to be plain in this—it is aimed, just as I should aim at the center of that clock and miss it, at the so-called rich; that is some ethereal, heavenly substance in the air apparently that is showering gold upon the people. I think the proposed amendment if enacted would be one of the greatest mistakes this government has made.

People who are asking for that amendment probably forget that tax exempt securities are issued by states, counties, cities, towns and villages mainly for the purpose of public improvement. They have been tax-exempt because it has been thought wise to have such securities the best securities obtainable. Now, suppose you release the tax-exempt privilege by federal enactment? What will happen? Every inhabitant of every State in the Union, from California to Maine, or from the North to the South, will find that his State, his county, his city and his town is in a competitive market with every other bond that is good, and when a bond is good, it is good enough. And every inhabitant in the country, wherever he may live, will be paying more taxes for interest and will have a limited market for such securities. That is not an exaggerated statement. It is a forceful fact. I

think if this Convention were the legislature I should like to introduce a resolution of protest.

These things are taking place because the people of this country are not giving the proper attention either to their government or to the financial or economic structure of their government. That is one of the main reasons why I should like to see a uniform income tax. I should like to see everybody—and I do not know why he should not pay something, to the support of this government.

It has been said a small uniform income tax would not bring enough revenue; that the people have not the money, etc. Let us meet this by showing the people not only have the money, but what they do with it. Mr. P. P. Claxton, United States Commissioner of Education, in his statement last March produced an astonishing array of figures. From his report, I wish to quote the following:

According to Government returns for 1920, the people of the United States spent for luxuries in that year 22 Billion, 700 Million Dollars, more than 22 times as much as they spent for education only two years before and 6 Billion Dollars or 30 per cent more than we have spent for education in all our history. The following are a few of the expenditures for luxuries among other items in 1920: face powder, cosmetics, perfume, etc., furs, soft drinks, toilet soaps, cigarettes, cigars, tobacco and snuff, jewelry, luxurious service, joy rides, pleasure resorts, etc., chewing gum and ice cream.

This statement shows an expenditure of \$206 each for luxuries for every inhabitant of the country. If one-tenth of that sum, say \$20 each, had been paid as income tax, it would have brought to the Government 2 Billion, 200 Millions, while one-fifth paid for luxuries would have brought 4 Billions, 400 Millions to the Government. The above statement is not exaggerated. I believe figures will show our payments for luxuries are much higher.

Four Billion, Four Hundred Million Dollars is more than the progressive and graduated income tax has brought to the treasury in one year.

There is an item of \$600,000,000 for cigarettes, (cigars, tobacco, etc.). That seems very high, but I have some figures here. The output of cigarettes in this country in August last was 5,134,524,337 odd cigarettes. That means 342,301,622 pkgs. (15 in pkg.), at 20c a package that is \$68,460,324 for one month. For twelve months the figure would be \$821,523,928.

I think the item of \$800,000,000 (for cigarettes, cigars, tobacco, etc.), in Mr. Claxton's report is small.

Now, how many people do you think patronize the movies alone in Chicago every day? The figures show 575,000 a day paid admissions to the movies in Chicago. At 15 cents each, which I think is the lowest admission to any theatre, and some are much higher, the average amounts to \$86,250. This is a total of \$31,481,250 for the year. It means \$11.65 for every man, woman and child in Chicago.

MR. HAMILL (Cook) Per year?

MR. WILSON (Cook) Yes, movies alone.

Governmental statements of 1921 tell us that for ice cream and soft drinks at soda fountains the people have been paying in taxes between 60 and 70 Millions a year, or 10 per cent of \$700,000,000.

The item of club dues and admissions to clubs has yielded the Government over 75 million dollars in the year 1921. This means an expenditure of \$750,000,000 for this item alone. We are great joiners. We join every thing but the United States. Suppose we cut out a few other clubs and join the United States. It's the best club in the world,—no initiation fees, while the annual dues would cost us less than any other club and give us more in return than any club in the world, etc.

The Government estimates that 110 million people in this country have been paying an average of \$5.00 each for taxes known as nuisance taxes. If they had paid the Government simply what they paid last year for the nuisance taxes, the sum would have reached \$550,000,000.

The tax bill recently passed provides that the manufacturers shall pay the nuisance taxes. The tax bill will be there just the same. The so-called "manufacturers tax" when it comes to be understood will be found to be just

as burdensome, if not more so, than the excess profit taxes. There have been over two hundred amendments to the 1918 bill which now apply to the manufacturers tax. It is intricate and difficult to understand, but its provisions are destructive of business.

Experts say that under the new so-called manufacturers tax, corporations whose net earnings do not exceed 9 1/2 per cent on their invested capital will pay a greater tax under the 1921 law than under the 1918 law, and corporations whose net earnings are less than 8 per cent on invested capital will pay 25 per cent more tax.

When the present tax bill was enacted, if the reports are true, the House of Representatives, when the item of the minimum surtax of 50 per cent was finally passed in the bill, reportedly to have applauded; Republican and Democrats alike. I think they were political cowards, if that is the case, because in the first place the Secretary of the Treasury wanted a thirty-two per cent minimum tax and gave his reasons for it. The President was willing to compromise on forty per cent. I don't know, but I am told the House agreed to it; anyway, it was raised.

Mr. DAVIS (Cook). You mean maximum; you don't mean minimum.

Mr. WILSON (Cook). Well, either way; maximum or minimum. Perhaps your suggestion is right.

The item of luxuries leads us to consider the automobile industry, the third largest in America. In some respects our automobiles have led us to public profligacy, and we are still boosting them. It was recently shown that the upkeep of automobiles on the farms in this country amounted last year to the enormous sum of 1 billion 60 million 385 thousand dollars. This sum is almost as much as our entire national debt before the war. It is almost as much as the value of our wheat crop of 1920, which was approximately 1 billion, 135 million, 800 thousand dollars. The value of our corn crop in 1920 was 2 billion, 189 million dollars; and it seems that it took nearly one-half the value of that corn crop to pay for the upkeep of the farmers' cars. These figures are staggering, but they are typical and they bring this thought—How many of the automobile owners are paying an income tax to help support this joyful land of plenty and privilege? How many of the automobilists who were driving past St. Luke's Hospital in Chicago every night the last few weeks that I was there, riding until after 9 o'clock at night, were paying an income tax? The vast majority of our pleasure-seeking public are actually protesting the payment of a small income tax annually to support their government, of which they are all proud, but do practically nothing toward to shew it.

The people of Illinois must bear their proportion of the money spent in luxuries last year, and no doubt the people of this State did spend their proportion, and this therefore shows that they spent in various luxuries in the year 1920, \$1,342,442,000. If the people of Illinois had paid into the State in income and personal property taxes one-tenth of what they paid for luxuries in 1920, the State would have received \$134,244,000. The collection of personal property tax from all the State in 1919 was \$41,805,927.23; about one-third of the expenditure for luxuries. Is it asking too much of the people to pay to their State one-tenth of what they are disposed to devote to luxuries?

Let us take the automobile pleasure car item in the State of Illinois; it is estimated that the upkeep of the cars in this State costs \$73 apiece. If less than one-tenth of the people of Illinois owning automobile pleasure cars had paid to the State as an income tax one-tenth of what they paid for the upkeep of their pleasure cars, the same would amount to \$33,433,000. This sum would be more now, as we have over 100,000 more automobiles in 1921.

I am citing these things, to show not only that the people have the money to pay, but they will pay gladly if the economic situation and their own political duty is put up to them so they will understand it.

Some time ago there were said to be 11,000,000 cars in the United States. No doubt there are more today, because constant statements are being made that they are increasing from a million to a million and a half

per year. Let us cut a million pleasure cars and call it only 10,000,000. The figures show that we are spending for the upkeep alone of automobiles, to say nothing of the original cost, the enormous sum of \$5,000,000,000. This is about \$50 apiece for every man, woman and child in the United States. But we say automobiles are necessary, and therefore the expense is necessary, but this country was the greatest and most prosperous country in the world before pleasure cars came into being, and this sum of \$5,000,000,000 is five times as great as the billion dollar Congresses which we used to call extravagant.

The Automobile Chamber of Commerce shows that the farmers of this country spent 55 per cent more on new cars in 1920 than upon new agricultural implements. This is no criticism of the farmers, because the people in the cities give the farmers several times better for their chauffeurs, their garages, their car duplications and the general show.

Let's look at it another way. The population of this State is 6,485,200. The census shows that nearly 61 per cent of the population, or about 4 million, are 21 years of age or over. The number of Federal income tax returns in Illinois was 425,281 or about 6 1/2 per cent of the total population. The average net income return was \$3,938. The average luxury expense for the same number of people who made income tax returns was \$3,131. In other words, they spent nearly as much for luxuries as their reported average incomes.

Let us go a little further. The average amount of income tax paid by citizens of Illinois was \$235. The average amount paid in the upkeep of automobiles alone was \$573. In other words, 61/2 per cent of our people paid \$285 each income taxes to the United States Government, while 9 1/2 per cent (now over 10 per cent), of our people, paid \$573 each for the upkeep of automobiles, to say nothing of the original cost. Not to criticize the people, or to criticize any industry, the economic situation of these facts make us appear ridiculous. We are bound to have our pleasures, but we are willing that somebody else should pay the taxes.

As a subject of national and local importance is the American railroad business—the greatest business in the world. Our railroads, constructed by the surplus incomes and savings of a provident people, have built up our country in all directions. Great cities, great forests, great industries, great fortunes, all combined to make the greatest and richest country on earth. Without the railroads we would have been nothing, and all the while we have been protesting and muzzling them to the breaking point. It has been said, and I believe it is true, that the Interstate Commerce Commission, prior to the war, had not granted to any railroad a single request. Meanwhile, for more than fifteen years prior to the war, the railroads were a public target. The United States Government, through its representatives on the firing line, followed by states, counties, cities, towns, villages, newspapers, and politicians generally. If a man wished to go to Congress, for instance, it seemed that the Interstate Commerce Commission was in lambasting the chief railroad in his district. The statement was once made to me by a former president of one of our great transcontinental lines that it was impossible for him to run a train from Chicago to California without transgressing scores of laws in each state through which the train passed. Nevertheless, he had to keep going. As a matter of fact, railroads were so hampered by the multiplicity of restrictions everywhere following public criticism that many of them were actually saved from disaster when they were taken over by the Government during the war.

Referring to the railroads, public utilities, etc., I want to quote from a speech by Mr. Herbert Hoover before the Interstate Commerce Commission last week:

"One thing is absolute. Our transportation facilities are below the needs of our country. Unless we have a quick resumption of construction, the whole community—agricultural, commercial and industrial—will be gasping from a strangulation caused by insufficient transportation, the moment that our business activities resume.

"Few seem to realize the amount of expansion in our transportation machine necessary to keep pace with the growth of the country. And an equal

few seem to have any notion of the price we are paying for not having it. The very moment we reach anything like normal business we shall have a repetition of car shortages, followed by an increase in the cost of coal to the consumer from \$1 to \$3 a ton; we shall again see a premium of twenty cents a bushel for use of cars for moving grain; we shall in fact see a shortage of commodities to the consumer, and we shall see glut upon the hands of the producers. We shall see factories filled with orders again, closed for lack of cars; we shall see intermittency in employment; we shall see the usual profiteers in commodities due to a stricture between the producer and consumer.

"Surplus capital is pouring by hundreds of millions monthly into tax-free securities and foreign loans, and yet our railways are unable to finance the most moderate of construction programs.

"There would be no cost to the taxpayers of the United States in a program by which the government guarantee would be given to equipment trusts, with the railways primarily responsible and agreeing to use the cash from such negotiations for improvement and new equipment.

"I wish to say with all responsibility for the statement, that a billion dollars spent upon American railways will give more employment to our people, more advance to our industry, more assistance to our farmers than twice that sum expended outside the frontiers of the United States—and there will be greater security for the investor."

Meanwhile, what has happened? For fifteen years our entire population everywhere seems to have been boosting the automobile industry. Everyone everywhere seems to be crying for good roads and every state is building them. Even the United States Government itself is apportioning many millions of the government's money received from the taxpayers to various states in the Union which are building good roads. I believe this is a wrong and unjustifiable use of public funds, but it is one of the extravagances pursuant to the graduated and progressive income tax. Why should the people of Illinois pay governmental income taxes, portions of which are allotted to pay for good roads in Ohio, Indiana, Oregon or California? It is one of the many extravagances which abundance of money is sure to bring about. I am citing these things to show how thoughtless we all seem to be of our governmental affairs. We go to extremes, not realizing we are going to be hit until we are knocked down. Think of the anomalous situation. All of our people criticizing and pestering the railroads, our greatest and most important industry, and at the same time extravagantly boosting the automobiles, our third greatest industry. There are billions invested in trolley lines, and public service corporations of great importance. Public service corporations have been at the mercy of political and public criticism. Consider, for instance, the situation in Chicago—and it is typical. The street railways of that city have to pay a franchise tax, a property tax, and a car tax, and are forced for maintaining their right-of-way. In addition to this, they pay 55 per cent of their net earnings to the city, and they seem to be always within the grasp of politics. Meanwhile several taxicab companies, one particularly successful, seem to have a perpetual franchise upon 167,000 miles of paved streets in Chicago, for which they pay practically nothing. This is a curious situation and again shows how little attention we are apt to pay to actual conditions.

MR. HAMILL (Cook) Would it interrupt you very much, Mr. Wilson, if we took a recess now and if you continued at two two o'clock?

MR. WILSON (Cook) Nothing would interrupt me; I am not very much of a speaker. I will do whatever you gentlemen think best, but I want to go on some time.

MR. HAMILL (Cook) Then I move you, Mr. President, that we do now recess until two o'clock.

(Motion carried: whereupon the Constitutional Convention took a recess to February 8, 1922, at 2:00 o'clock p. m.)

2:00 o'clock P. M.

The Convention met pursuant to recess.

The President in the chair.

THE PRESIDENT. The Convention will please come to order. The pending matter for consideration is sections 1, 2, 3 and 4 of the report of the Phraseology and Style Committee on Revenue.

The delegate from Cook, Mr. Wilson, has the floor.

MR. WILSON (Cook) I think I had gotten as far as automobiles when Mr. Hamill asked for a recess.

Gentlemen, I am trying to consider the income tax, as you will notice, from a national standpoint, because in a national sense it has been intensely exemplified.

My belief is, and I will go so far as to say that an income tax of one per cent without exemptions on incomes in Illinois would yield more by far than has ever been collected from the tax on personal property; and that is why I am going into this matter in a national way, to show you where taxes have been levied and for what they have been expended.

We are now spending large amounts for highways in this state, so I want to tell you what actually has happened in New England, which has spent millions for good roads. In Connecticut, for instance, the legislature appropriated 3 million, 800 thousand dollars for good roads to be spent over a period of two years. At that time it had a great abundance of good roads, paid for by the taxpayers, who are still paying. One result is that Connecticut's good roads are used daily by great numbers of automobile trucks which deliver merchandise from the surrounding manufacturing districts, Philadelphia, New York, Boston, Providence, Springfield, Holyoke and numerous other manufacturing centers. These automobiles go quickly and easily into Connecticut, distributing merchandise, paying actually nothing for the privilege, because the car license, paid for in other states, qualify them for the traffic. Meanwhile, it is conceded that the great railroad of New England, the New York, New Haven & Hartford, will never come back to its former profitable condition. Every individual seems to own a passenger car, and every business firm a truck. A trolley line running from New Haven along the Sound to New London and up the Thames River to the city of Norwich stopped operations about a year ago last June and has not turned a wheel since. The cause was a strike, but the opportunity to discontinue business was welcomed by the owners of the road. That trolley line had to pay enormously for its right-of-way and its privilege to operate. Meanwhile the automobile industry, competing with it, acquires a perpetual right-of-way at a cost of a small license tax for each car, while the taxpayers are footing the hills. The incongruity of the situation is apparent. It costs about twice as much per mile to build a state highway which will stand the traffic of automobile trucks, as it costs the railroads to buy, pay for, and build the usual right-of-way. What has happened in New England is likely to happen in Illinois. It is not difficult to picture even in our own great state automobiles from industrial centers within and without our own territory using our highways in competitive business energy at practically no cost, while our own taxpayers are footing the hills.

I am not criticizing the automobile industry, but I think the way we have handled it typifies our methods of handling other great matters. It all has a bearing upon our situation here.

The apparent ease of collecting vast amounts of money has seriously misled us. We are approaching rapidly a condition wherein our own Government is not respected by the masses. Numerous and various laws are constantly being enacted and under conditions brought about by governmental agencies which have no place in a Government such as ours, and all because our people do not choose to give sufficient time and thought to governmental affairs. That is why I consider it my duty to lay before the delegates to the Constitutional Convention of this State those things to be considered.

Heavy taxation, bringing money in large amounts, leads to many kinds of extravagant legislation. Take, for instance, the "Federal Aid" idea and

consider the proposition in the Sheppard-Towner Bill recently passed by Congress. This and other such bills involve an appropriation of 169 Million Dollars. Some of these bills were passed and others are pending. Some of the bills had no real authority for jurisdiction, but they went through, the theory being to get the money and, of course, to spend it afterwards.

Federal aid means paternalism in government. Paternal means fatherly. If we are to be fatherly, let's help every one who chooses to organize associations for any purpose. Let's buy estates for the rich, let's buy yachts for the middle class, and let's buy automobiles for the poor. Let our fatherly Government give its children everything, they happen to want and treat them all alike, as a wise father should.

I quote from the Honorable Frank O. Lowden in his Convention Address at the University of Chicago last June:

"There is scarce a domain in the field of government property belonging to the municipality or the State which the Federal Government is not seeking to invade by the use of the specious phrase 'federal aid.' Education, public health, private employment are a few instances which readily come to mind. The bureaucrats who initiate these movements for an extension of their own power, draw great strength from the class specially affected. This rapid extension of federal administration not only means greatly increased expense because of duplication of efforts, but it means the gradual draining down of local self-government in America."

I also quote a recent address from Nicholas Murray Butler, president of the Columbia University, as follows:

"The American form of government is in danger whenever a group of men endeavor to operate in the interest of a section of the class. A labor party or a farmers' party is as undemocratic and as un-American as a millionaires' party, or a shipowners' party would be."

"The farmer, wageworker, manufacturer, business man, whether great or small, is paying heavily today for the un-American and unpatriotic act that was forced upon him by the 'rigid' laws of the United States in the early days of September, 1916, known as the Adanson Law. This law established a privileged class among us and thereby increased the cost of living for every man, woman and child under the American flag."

"Senators and representatives in Congress vote with hearty joy to impose in time of peace very high taxes on wealth without in the least appearing to realize that by thus diminishing the amount of productive capital they are depriving the farmer of his market, the wageworker of his employment, the transportation system of its freight and the business man of his trade. In essence, the old enemy of human well-being is still powerful and active."

Here is a quotation from Mr. J. C. Gifford, ex-president of the Board of Trade:

"There can be no definite end to business depression until United States capital enters Europe and backs business there."

"Instead of waiting until some freak of nature destroyed our cotton, would it not be better to send half of our crop to the looms in Europe, furnish capital to employ the cheap labor available there, and then receive our returns when these finished goods were marketed? England knew what to do with its gold when it had the major portion of the world's supply. It invested in foreign industries. Some day the United States may awaken to its opportunities."

This shows the trend of the minds of thoughtful men. The Honorable Reginald McKenna, former Chancellor of the Exchequer and today the President of the greatest bank in England, made an address last October before the Commercial Club of Chicago, and I quote from his address the following:

"The United States and the United Kingdom are the two richest countries in the world. They enjoy much the greatest foreign trade. We are very nearly equal in that respect. They are far and away the greatest foreign creditors. I think in the matter of being foreign creditors we are ahead of you; we are owed more than you are, taking both trade debts and war debts together. While we enjoy this wealth and this trade and this foreign debt, we have the most unemployment and we are the heaviest taxed."

Now does it occur to any of you that there is any connection between heavy taxation and unemployment? It does to me because we suffer even more from taxation than you do; and because therefore the lesson has been brought home to us more directly and with greater weight.

There are people who hold that if the State takes from the individual everything above what is necessary to support himself and his family in reasonable comfort, and spends all the surplus on government work, the nation is living an ideal life. I have no doubt you have people who preach that doctrine in this country, as we have in ours. It is a gigantic fallacy. They forget that the profit made in one year so far as it is not spent on unprofitable consumption, becomes an increase of capital in the year ensuing, and by the time the trade year by year is increased in volume and national prosperity extends. But, if you take from industry all the surplus above what is necessary to maintain a man and his family in reasonable conditions of life, the whole of your reserves vanish. What you need for the development of your business, for the repair and extension of your plant and your machinery—all that is gone. It is spent by the state within the year and instead of being a nation with a growing industry and growing wealth, you become poorer and poorer as the years go by.

It is a question of economic fact. Excessive taxation does not really take from the rich in so great a degree what they are accustomed to spend, as what they are accustomed to save. It takes from them what they would otherwise use in extending their business; and it is the greatest mistake to believe that a nation is benefited by a high rate of tax and a rapidly rising scale of surtax imposed in order to absorb what is regarded as the surplus income of the great industrialist.

We need their resources. We know that these resources are going to be saved. We know that they are resources in powerful hands which can use them to the best advantage; and we know that in the long run every man is no more than a trustee for the wealth he manages, for he cannot enjoy more than a limited amount himself. He cannot take it away with him. He builds up a great business and a great industry, and he thereby contributes to the wealth and prosperity, not merely of himself and his family, but of his whole neighborhood, of his city and of his country."

This, from the acknowledged financial leader of Great Britain. Only recently, on January 26th last, Senator Edge of New Jersey, in speaking before the Industrial Club, said:

"I do not believe in the theory that Congress must 'take the rich in order to help the poor.' This country cannot be prosperous unless it is at work, and there is no law that can be devised to compel a man to invest his time and money unless he can get a reasonable return for the risk he takes. Employment is everything. . . . The man who ought to be giving employment to thousands of men and adding to the wealth of the country, poorer than giving his per cent of all he makes to the Government, purchases securities and sits back to draw income from them."

There are difficulties as great as those of the war still to be solved in this country. We do not have hands and uniforms to inspire us to the difficult tasks of peace, but the problems of peace are just as important. The happiness and prosperity of every type of American life depends on our ability to achieve co-operation and understanding."

The senator sees evidently that the only advantage of having money is the use of it in keeping labor employed and thereby the farmer prosperous. He should have said this when the present tax bill was before Congress.

If our prosperity is to continue we must spread the burden of income taxation broadly in order that the burden will not fall upon the laboring classes as it unquestionably has and will continue to do unless a change is brought about. I have spoken about our tax laws. I want to be a little personal now. It happened at one time I was in a position where I had to do with the finances of the City of Chicago. For years no cash had been paid to anybody for any class of debt. No salaries had been paid in cash. No builders had been paid in cash, no contractors, and it was dis-

covered that the reason existed because of a laxity in the law. The various corporate taxing bodies, like the City of Chicago, the Board of Education, and the various parks, never knew when they were to receive money from taxes. I took the standpoint that that would have to be changed, or else I should have to resign. I was told it had been the same for many years, and it could not be changed, as we are being told now that in a great many ways we can't change things. Well, they were changed, and we obtained an agreement from the County Treasurer to turn over his tax collections every month, and I want to pay my respects to John R. Thompson, then County Treasurer, who continued it for three years. Finally, in the course of time, we began to create interest accounts, which never had existed before; this interest resulting from the accumulation of moneys credited to the various bodies like corporate fund, the Board of Local Improvements and the Board of Education.

While I had the co-operation of most everybody, because I asked it, there was one man, Mr. John E. Traeger, who was then the City Treasurer, elected by the people. I was appointed by the Mayor—and the ordinances conflicted with the State statutes; Mr. Traeger could have prevented the working out of that financial proposition, which was a businesslike one, because I think the statutes, as we all know, supersede the city ordinances. His attorneys advised him that he did not have to go along with me at all, but Mr. Traeger did go along. He saw the opportunity to help the City of Chicago as a whole, but if he had been a mere politician instead of a mighty sound friend of the people, he would not have done so.

As a matter of personal privilege, I want to say here that nothing would please me more than to see a man like John E. Traeger Mayor of Chicago. (Applause). Because he never looks at anything except from the standpoint of personal honesty and devotion.

Agitation brings about a great many laws, as we all know. Almost anybody, even from Chicago, can come down to the legislature and put things through to the detriment even of downstate. I am told. One of the greatest agitators the country has ever known was William J. Bryan. In 1896 he was the Democratic candidate for President. The total vote was about 13,000,000. He was elected over McKinley by a vote headed Democrats, because the percentage of plurality over Bryan's vote was less than 5 per cent of the total vote. I have the figures, as you all have. About 500,000 votes, in round numbers, was the plurality, and yet that man went all over the country agitating financial ruin, repudiation of the debts of America. He did not know what he was doing. I never have heard yet the foundation of an explanation of it. He tried again at other times and failed. In that endeavor the Republicans and the hard-headed Democrats were doing the streets. I was in that procession; I did not have much hard money in those days, but I recall with the greatest pleasure being just behind another member of this Convention, Private Joe, and all along through the streets where I was in the Illinois crowd, the call of Joe Joe, Private Joe, was heard throughout the march, so when I met the dear old character, Governor Eifer, here, I was delighted.

I am going to tell a couple of stories about Bryan, one that I saw and heard, and the other that I heard, but did not see, and will perhaps have to apologize to Mr. Bryan.

During the campaign of 1896 I went to Kiehl's Theatre in Boston where there was a vaudeville show, and a ventriloquist had a couple of life-sized figures. On one knee sat a colored man; on the other an Irishman. The ventriloquist said to the colored man, "Who are you going to vote for?" The reply was, "I am going to vote for McKinley." And to the Irishman he said, "Who are you going to vote for?" "Because I am Republican, sir." To the Irishman the ventriloquist said, "Who will you vote for?" "For Bryan, sir." "And why do you vote for Bryan?" "Because I am for Free Silver, sir." "And why are you for Free Silver?" he was asked, and the Irishman replied, "Because I don't understand it." (Laughter).

The other story about Bryan is this: It is said that when he was in Connecticut electioneering he asked the privilege, when in Middletown, of going

to see the insane asylum, and they invited him over. While there, he came across a fellow standing about and asked the keeper, "Is that man all right?" "Yes," was the reply. "He is not violently insane?" "No, he is a trusty." "May I talk to him?" Bryan asked. "Yes, anybody can talk to him." Bryan went up and said, "Good morning, sir." "Do you like it here?" "Yes, I like it here," the man answered. "I have been here several times; this is my third visit." "Well, you seem to be sane," Bryan said. "Yes, I think I am sane." "Well," Bryan said, "some people say I am insane." "What is your name?" "My name is Bryan." "Bryan, Bryan," "I have heard that name." Bryan said to him, "I am the politician." "Oh, yes," the man replied, "You are the free silver man?" "Yes," "Well," he said, "you're not crazy; you're just a jackass." (Laughter).

The worst wheel makes the most noise.

The question of whether the people will pay their taxes gladly and agreeably if we should pass a uniform income tax law has been discussed.

How many of us have seriously considered the financial strength and power of the Catholic Church? I have the greatest respect for the Catholic Religion, and the Catholic Church is growing more powerful all the time, but what is the fundamental source of its power? It is largely financial, and its financial strength comes, not from the so-called rich, but from the multitudinous pennies, nickles, and dimes of the poor. I think it is governed by respect, because when people pay for the support of that institution or any other object, they respect it, whereas they do not respect any situation where they get something for nothing.

Events have taken place which show that the great public generally is glad to pay. During the war, in the midst of heavy demand upon our people for governmental loans, the Red Cross, Y. M. C. A. and other great works of emergency, money was needed in Chicago for our local hospitals. A tag day was instituted and nearly \$200,000 was raised on the streets through the depositing by the public of pennies, nickels and dimes, and every person seemed proud to wear a tag signifying that he had been a glad contributor. Our people, as a rule, have great and hountful hearts. They will gladly be contributing citizens in the up-building of their country, if we here and now having the opportunity will but show the way.

That the people are not only willing but delighted to pay if properly approached is shown in the case of the Cleveland Community Fund. This endeavor was started during the war and was then known as the War Chest. But let us take the idea of having everybody pay into one fund to be distributed amongst the various war charities then active. It went so well that it has been continued in Cleveland under the title of the Cleveland Community Fund now organized for charity work.

When the War Chest was first started there were 6,000 subscribers. In the year 1920 there was collected for charitable purposes by the Cleveland Community Fund \$4,176,524. The subscribers numbered 145,228, these contributors being of record. The total contributors, however, were 209,595. But let us take the contributors of record, 145,000. This is about 20 per cent of Cleveland's population. Suppose we apply Cleveland's methods to Cook County, four times as large as Cleveland; if it did as well in proportion as Cleveland, then 20 per cent of Cook County's population would have put into the charity fund over \$16,000,000, whereas the personal property tax collected in Cook County in 1919 from all the people was \$19,000,000.

If we apply the same ratio to the State of Illinois, it would show that 20 per cent of the people of this state would have put into the charity chest over \$32,000,000. The State treasurer's office reports that the personal property tax collected in this state in 1919 is \$41,805,927 from all of the people. If one-fifth of our people paid out as much for charity as that charity three-fourths as much as all of our people paid in personal property taxes. It shows that when the people are properly approached, they will be glad to pay.

Let us recall what the farmers of Iowa did during the war. When subscriptions to Liberty Bonds, Red Cross and Y. M. C. A. and all other war funds became necessary, that work was allocated by the Treasury Department to the several Federal Reserve Districts. The State of Iowa is in the Seventh Federal Reserve District, Chicago being the center. The people of Iowa so organized the state that all the people in the state were made acquainted with the situation very easily. Through a business organization they placed everyone upon the same level, and it soon became known that Iowa's quota was raised so quickly as to cause not only comment, but wonder. I happened to be present at a meeting when the chief of Iowa's organization was told that the drive for the Victory Loan was to take place the following week. He asked for the quota of Iowa, and upon receiving the figure, he made this remark: "I shall telegraph you Monday night," and the following Monday night we received the following despatch from him: "Iowa's quota is raised." This was all done in one day, where the quotas from other communities sometimes required weeks. It was the result of publicity and organization having for its foundation the principle of uniformity, that all should be on the same basis and that all should be treated alike, so that the farmers of Iowa not only became proud to buy Liberty Bonds and to give away their money to war endeavors, but stood at the head of all communities in America, and they were proud of it. No doubt the farmers everywhere would have done the same thing, but the organization in Iowa appealed to the farmers in that state upon the principle of fairness and uniformity, and the success was apparent.

In 1920 I made some statements to friends in this Convention as to what I thought an income tax of one per cent uniformly paid would produce in Cook County. The figures were thought to be rather extravagant, so with the help of several others we made an investigation of five or six weeks and became convinced that a tax of one per cent upon everybody, one per cent of incomes in Cook County, would have yielded much more than the entire personal property tax of the latest year's collection up to that time, which was about \$16,000,000. We were convinced one per cent tax in 1919 would have produced \$30,000,000. The collection in 1919 was \$19,000,000. The investigation included salaries of everybody, errand boys, stenographers, scrub-women, etc. I have heard people say that it will be a hardship, for instance, to call upon a man of large family, working for \$1,000 a year to pay \$10 or one per cent income tax. My answer to that is, as I think we all know, it is the men and women of large family who are the provident citizens of our state and country. It is they who usually bring up their children in the ways they should go. It is the men and women without children to whom we have to look as a rule for the indifferent. I have in mind one of the greatest men the world has ever brought out, the man whose statue adorns the entrance to the grounds upon which this State House stands, and I think of the struggles of the large families of himself and his ancestors who settled in Hingham, Massachusetts, in 1645, and I am also reminded of his mother, the wonderful Mary Hanks, and the struggles of her ancestors who settled at Plymouth, Massachusetts, in 1620. Large families meant something in those days and I believe they do today.

Our Revenue Committee has gone far and has made a progressive step, but their income tax article provides for graduation and progression, which I think is dangerous. Once in our Constitution, amendments are possible for still further graduation and progression; also the discrimination is not only unjust, but will cause much indignation and a large sum for state examination. What about the unmarried person whose income is \$450 or \$550? What about the married man whose income is \$950 or \$1,050, etc.?

The recent income tax provision in the State of New York provided that a state income tax payment of 3 per cent, should be the limit, but I have in my files editorials from the New York Sun and Tribune, Republican papers, reciting after the first year's operation of that tax that it brought in too much money and that the extravagance were entertained. So we cannot go too carefully into this situation.

Gentlemen, I was talking with a farmer yesterday about the situation in the United States and about the education of families and what our duties

should be. It is the wish and desire of every man, particularly a man who has reached the position where he can send his boys to the high-schools and colleges and give them an education, and to give his daughters the same privilege, to do so. Somehow, the sense of responsibility seems to be slipping away. The farmer scuds his boys to college, and his girls to school, they get a taste of city life; they do not seem to take the same interest in the old homes and the old associations. The city men and women having children do the same thing. Their boys go to college and their girls to schools, we will say, in the East. Somehow, they seem to be weaned away from the old homes. They become extravagant. They get a notion that they do not want to work; that there is some easier way to make a living.

Therefore it is rather on my conscience that this Convention has before it a great duty, but a greater opportunity. It is convening in the most serious economic time that the world has ever known, and we should aim at the base of returning prosperity, not only for ourselves but for the world.

Let us tell the people of our State, all of them that they individually are responsible factors and must do their individual duty to the state.

Our foreign trade sometime ago was four per cent of our total business. Men have said that that was negligible; that we could lose it; that it would not hurt much. I never have taken that view, because I have noticed that in the case of men doing large businesses, where the volume runs from \$500,000,000 to \$1,000,000,000, as it sometimes has in Chicago in the packing interests, a difference of one-half of one per cent is often the difference between profit and loss. If you will read the reports of those interests, and note them you can see how little it takes—what a small percentage will turn the profit into the red ink account.

During the war, our foreign trade grew to where it was fifteen per cent of our total business. It was back last year to about ten per cent. Fifty-three per cent, of our exports I think, is the figure representing manufactured articles, manufactured articles that we had sent abroad. Formerly most of our trade abroad was in things the farmers raised, so that we are linked up with the farmer and industry in a way that we can't escape if we wish to go on as we were before the war. Therefore I think this Convention has a duty which I hope it will not miss. It can do something here that will make every Delegate proud that he had a part in it. I do not like to say that it takes courage to do a great economic thing which will be the fore-runner of the return of prosperity to this country. I don't believe it does. I believe you men will see it and set a record now for the rest of the country and the rest of the world. Get down to uniformity in your income taxation.

I know that Mr. Gale (Knox), the Chairman of your Committee, not only has the respect of his city, but of the State. I saw recently several men from Galesburg who voiced this sentiment, and I have read the accounts of what he has done. He has devoted his time and his money since the last discussion of our revenue laws, but we have an opportunity here to place ourselves at the forefront of the reform where we will be followed by every State in the Union, and we will be followed by the United States government. There is no escape from it; it has got to come, and we will stand out as having led the country.

Speaking in a national sense, our excessive income tax provisions have brought about many disastrous results. There are firms who are well known who are not able to pay the taxes of last year. Evidently disaster stares them in the face. We are yet to see the worst effects of hasty legislation in taxation and the results will fall heavily upon our laboring classes, because when the employers cannot progress, the employees are out of work.

EXPENSES OF COLLECTING GRADUATED INCOME TAX.

Investigations have been made regarding the expenses of collecting the Federal Income Tax. In several cases the Government agents worked in one office three weeks each on returns of 1917, 1918 and 1919. This is equivalent, of course, to two men a week each on one examination, meaning

that one man worked two weeks upon each year's return, thus reducing the equation to one man making twenty-six returns a year. Suppose we deduct one week for holidays, with no vacations, allowing that man 25 returns per year. His salary is \$2,500. That means that the examination of each return cost \$100. The last figures available, 1919, show tax returns to the Government of \$5,332,760. At a cost of \$100 for each return, the cost for his inspection alone would be \$5,332,760.00. Supposing a man made 50 examinations a year, then the cost would be \$267,136.00. Suppose a man performed the impossible task of making 100 examinations a year, and now could one man do this if he examined all the books, checks and vouchers in each office? Then the cost of examination alone would be \$133,568.00. Even this rapid work would require in the field 53,325 men. As a matter of fact, the Government employs only about 1,000 men in the field, and the reports of the fiscal year ended June 30, 1921, show the field agents' expenses as follows:

Agents' clerks	\$ 404,000
Traveling expenses	1,113,000
Rent	53,000
Telephone and Telegraph	8,787
Supplies and Equipment	23,000

\$1,601,787

This shows an expense account outside of salaries for the present field agent of \$1,601,787. If enough men were employed in the field to examine every return, and if a few are to be examined, I don't know why all should not be, then the expenses alone, outside of salaries, would be \$50,000,000. This means, upon the lowest calculation, with the swiftest kind of expert work, it would cost the Government \$195,000,000 for field examinations alone if all were treated alike. The public knows this, and therefore thousands upon thousands, not to say millions of people, do not make returns. They take the chance, and why shouldn't they? They have discovered that the Government in its examinations has so far only hit the high spots, meaning that only the larger returns have been examined. With the Government's present force of field agents, if all were treated alike in the field examinations, it would take twenty-five years to examine one year's returns.

The Government report also shows that during the fiscal year 1921 income and excess profit tax returns examined in Washington were 1,570,000. It took 5,376 men to do this. If all the returns had been examined that year, it therefore would have taken 23,604 men to make the examination, and at the low salary of \$1,500 per year, this alone would have cost the Government \$5,250,000, or more than the entire appropriation for all the expenses of the Income Tax Unit of the Internal Revenue Department, that appropriation having been \$33,000,000. It would have left no money for expenses of any kind in Washington and none for the expenses of 64 agencies of the Department throughout the United States.

The Government reserves five years during which income and excess profit tax returns may be examined. I have it on good authority that through departmental audit the Government expects to collect one billion dollars additional taxes for the year 1918 alone, owing to so-called errors in making returns. What a situation this presents! If the Government is right in that calculation, then after a man is dead or his firm goes out of business, or he perhaps has lost his fortune, the Government in tardy fashion comes along with a claim of many thousand dollars against him. If the Government is right in the claim, then the Government has been wrong and deficient in its tardiness in notifying the taxpayer of his claim.

The whole situation shows, first, a determination on the part of the Federal Government to get all it probably can of the surplus earnings of successful and provident individuals and corporations, and then to take its own time in making claims upon such if it chooses to do so. What is the result? A feeling not only that discrimination exists, but one of dis-
 air because of the discrimination and decided uncertainty as to the future of individuals, firms and corporations are drawing in. If successful in the

past, they are guarding against the future, taking the position that there is no inducement to make any profits over and above what may be needed to keep their interests alive. Ambition, incentive and initiative are gone, and thus in a large measure the essentials of the business man's character have been so stunned that he is a changed individual. What is the result of this? Curtailment and economy all along the line, meaning not only the cutting of salaries, but the discharge of labor, and why shouldn't it be so? It is only natural.

The expense to the State of collecting a uniform income tax which should be in lieu of all other personal property taxation would be negligible. On employees' salaries and wages it could be collected at the source without any expense to the State. Others in receipt of incomes would be constantly on the watch and could see to it that everybody else paid. This would not only bring in many times more money than has ever been paid into the State from personal property taxes, but would result in having a happier and more prosperous and more contented citizenry, each on the same footing with the other and each taking far more interest in the affairs of State.

I have referred to "Tag Days," so-called, supposing every one everywhere in this country paid a uniform tax upon their incomes and supposing the United States Government should provide a simple button to be worn by the people everywhere during the days the income taxes are to be collected? Wouldn't it be an inspiring sight to see every man and woman wearing such a sign, a sign of pride and devotion to their country and an honor to be one of its citizens? Why, the man who didn't wear such a tag would be hunting the alleys for a place to hide!

We had a debate one day upon compulsory voting. I was intensely interested, particularly in the eloquence of my friend and colleague, Mr. Dawes. I could hardly help voting "aye," but I thought there was a better way, viz: Let the people pay for the great privileges given them by this country. Then they will be quite sure to vote. *Humanity seldom respects that for which it pays nothing.*

We have some great leaders in our capital of whom we are proud. There recently occurred in Washington two great events, epochs in our history, one last summer when the President of the United States appeared with his cabinet and five hundred others at a meeting called by General Dawes, the Director of the Budget. Do the minds of our country shown in the last one hundred years any other President and his cabinet attending a meeting to be addressed by a presidential appointee upon their duties in economizing in the functional expenses of government? It not only showed courage in our President, but a devotion of government to the people. Another such meeting on the progress of that work was held last week.

At the first meeting of the Disarmament Conference in Washington, the world was startled and dumbfounded by the offer of Secretary Hughes to junk hundreds of millions of our naval construction in order to take the first great and fundamental step to return peace to the world. We do not realize that, notwithstanding the world war, it was the greatest event in our history since our own Civil War, and what wonderful courage on the part of the President of the United States!

One citizen, referring to this great disarmament event when Secretary Hughes laid the cards of America on the table, said that we were "jauking the bunk." Now, let us here junk the bunk relating to our personal property taxes. Let us stop taxing dead stuff over and over every year. Let us stop taxing the woman's washing machine, her daughter's Victrola, the father's overhick, his mowing machines and his other stock in trade. Should the farmer's horses be taxed? They should not; they are but implements of his trade; so are his milch cows, God-given food producers, but the farmer's stock in trade nevertheless. Tax what they produce in income, but don't tax the tools. Let's get right down to un-
 produce in income. But always done in real estate. What is that building worth which brings in \$3,000 rent—\$50,000. What is that man worth who brings in \$900 a year?—\$15,000, based upon his productive power. What

is that man worth who receives \$3,000? He is a \$50,000 man, and would be glad to pay 1-50th or 1-100th part of his income in lieu of all other personal property taxes for the benefit of the State.

This Convention assembled in the most serious economic time in the world's history has an opportunity to do a forward thing which will mark an era in this country's development, to provide an economic law which will keep people in employment and preserve prosperity. It has the opportunity not only to point the way out of our financial difficulties, but to show to every wage-earner that this Convention realizes that unequal and excessive taxation only leads to mercantile disaster. It can show to our people that only a small part of what they expend upon useless and unnecessary objects if paid to the Government in taxes will become a solid financial foundation for our economic structure of the future. It will return them to employment at fair wages, which, of course, will give the farmer fair prices for his crops, because it will release by the hundreds of millions capital now going into dead issues because of excess taxation. Let this State show that a uniform income tax is in the interest of the people, where the present federal method has been destructive to the people.

I believe in our people. I think they are the most generous, whole-souled, biggest hearted people in the world, but they are being misled. I do not like to admit that it takes courage on our part to tell the people what they ought to do.

It has been said that if this Convention should adopt an income tax law demanding a uniform rate without exemptions and without progression or graduation, it would not be endorsed by the people of the State. I do not believe that. I believe people are beginning to have a better understanding of the situation. If not, I believe it is our duty to show them. However, we are not now here to legislate with the idea of meeting approval at the polls. We are here to establish fundamental law which we believe to be right and we have not any business to consider whether the people will approve or not. Such a thought brings a fear of the people, whereas we should have our own strength within ourselves. Supposing, as Delegates, we are right in framing this Constitution, and suppose then that the people of the State do not adopt it. We then are not defeated, though the Constitution may be. We are right, and the man who is right is seldom defeated in the end. The man who is right is stronger in death than the wrong man living.

Gentlemen, I thank you. (Applause).

THE PRESIDENT. Are there any further remarks?

Mr. GALE (Knox). Mr. President.

THE PRESIDENT. The Delegate from Knox, Mr. Gale.

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